

In the Matter of)	No. G 99-1
)	
The Target Financial Examination of)	FINDINGS, CONCLUSIONS,
QUALMED WASHINGTON)	AND ORDER ADOPTING REPORT
HEALTH PLAN, INC.,)	OF TARGET EXAMINATION
A Domestic Health)	
Maintenance Organization.)	

BACKGROUND

A target examination of the financial condition of **QualMed Washington Health Plan, Inc.**, (the Company) as of March 31, 1998, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a health maintenance organization. This target examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners (NAIC) and the OIC.

The target examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on December 22, 1998.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 3 through 12 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached report of target examination as the final report of the target financial examination of **QUALMED WASHINGTON HEALTH PLAN, INC.**, and to order the company to take the actions described in the Findings, Instructions and Recommendations sections of the report. The Instructions and Recommendations in the report are appropriate responses to the matters found in the target examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Findings and Instructions and Recommendations contained in the examination report on pages 3 through 9:

1. The Company is instructed to account for its net worth as defined by RCW 48.46.020(18) and non-admit all provider receivables in all future filed statutory statements.
2. The Company is instructed to review and enhance controls to ensure the proper identification and recording of all liabilities and expenses per the NAIC Annual Statement Instructions as required under WAC 284-07-050(2).
3. The Company is instructed to review and enhance controls to ensure the proper identification, recording and timely reconciling of all cash accounts as defined by RCW 48.46.080.
4. The Company is instructed to review claim adjudication procedures to ensure it is acting in good faith and no material breaches of its obligation to provide required health care services to enrolled participants has, or is occurring, as defined by WAC 284-30-330 and pursuant to RCW 48.01.030.
5. The Company is instructed to review the claim tracking procedures to identify the initial reported dates in order to identify the time lag between reported to paid dates accurately, pursuant to RCW 48.46.080.

6. QualMed is instructed to review all medical delivery systems to ensure all providers are contracted under approved participating provider contracts pursuant to RCW 48.46.243. This would include any subprovider arrangements entered into with third party administrators under capitation arrangements which must comply with the hold harmless provisions of WAC 284-46-575(4)(f).
7. The Company is instructed to identify and develop procedures with QualMed Corporation to correct the system and reporting deficiencies to accurately record premium receivables, aging of receivable and develop objective methodologies to estimate an allowance for doubtful accounts pursuant to RCW 48.46.080.
8. QualMed is instructed to comply with the accounting practices and procedures in compliance with the NAIC HMO Annual Statement Instructions pursuant to WAC 284-07-050(2) and RCW 48.46.080.
9. The Company is instructed to review and enhance its controls and reporting systems to ensure the proper recording of all PEBB contract data pursuant to RCW 48.46.080.
10. QualMed is instructed to record in its financial records the examination adjustments recommended by the examiners and summarized in Finding Number 11 on Page 9 of the examination report.

ENTERED at Lacey, Washington, this 7th day of January, 1999.

DEBORAH SENN
Insurance Commissioner

By:

JAMES T. ODORNE, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division

